

DHHS FY16/17 Budget Initiative: General Assistance 90% to cities and towns

General Assistance Program

Overview

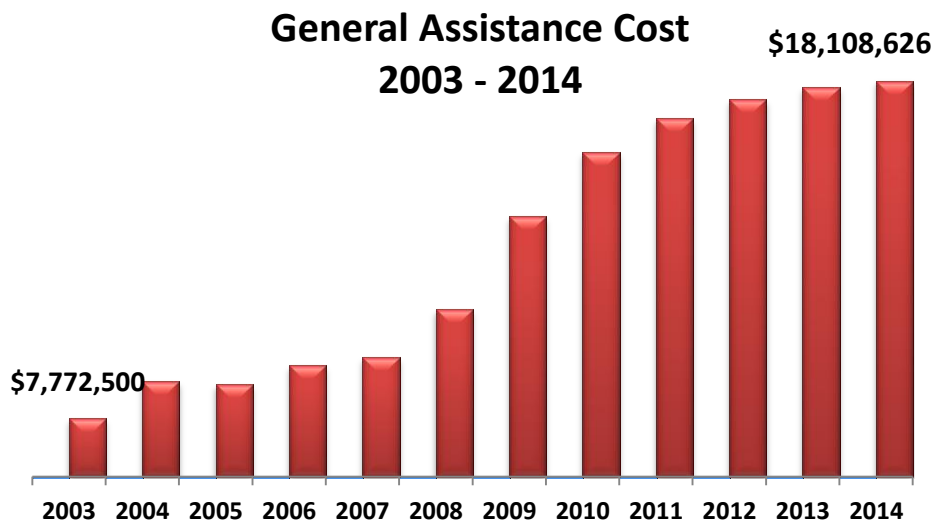
Maine's General Assistance (GA) program is a partnership between the state and local municipalities to provide assistance to those in need. The program is jointly funded by the state and municipalities and it is administered at the local level by the municipality. The state's role is in oversight and funding.

General Assistance is not meant to be a "categorical" welfare program. It's designed to help those truly needy in a local community temporarily during a time of hardship or need. The reform initiative included in the biennial budget proposes to reform GA so the state contributes its fair share of the costs while municipalities are incentivized to maintain sustainable levels of GA spending. Savings achieved through this reform will be dedicated to reducing waitlists for services that support the elderly and disabled in our state.

Funding

The GA program is funded by a combination of state and local dollars. The majority of funding is provided through the state, and the balance has shifted more to the state in recent years. **The total budgeted amount for GA in the state 16/17 General Fund (GF) budget is \$12.148 million annually.**

Funding is provided on a 50%-50% basis. However, the statute also allows for the rate to increase to a 90% state-10% local split when the towns reach GA expenses of a certain amount (.0003 of municipal evaluations of property). Only the three largest municipalities, Portland, Bangor and Lewiston, have regularly hit this mark, triggering 90/10 funding. This current methodology creates a perverse incentive to "spend more to get more" by rewarding more GA expenditures with a higher level of state match. **The growth in GA in recent years is extreme – costs increased by \$10 million in 10 years:**



GA Spending Data

Increased Cost to the State

GA has increasingly been a budget buster for the state. In fact, GA reimbursements sought by municipalities are regularly exceeding the amount budgeted for GA in the state budget. Because there is no cap on expenditures, GA costs to the state can exceed the budgeted amount. These shortfalls require additional funding requests and sometime cause late payments to cities and towns.

- In 2013, the GA budget (GF) was \$10.2 million. Total GA cost to the state was \$12.2 million
 - 2013 shortfall - **\$1.3 million (Approximately \$700,000 was covered with OSR)**
- In 2014, the GA budget (GF) was \$12.2 million – total GA cost to the state was \$12.9 million
 - 2014 shortfall - **\$0.7 million**

The portion of GA paid by the state has increased dramatically over time. In 2004, the state paid a total of 63.6% of all GA costs. In 2014 that number had increased to 71.6%. This is caused by much more being paid by the state at the 90/10 matching rate, particularly to the city of Portland. **In 2014, 81% of Portland’s GA cost was paid by the state.** All towns except Portland, Lewiston and Bangor received 50%.

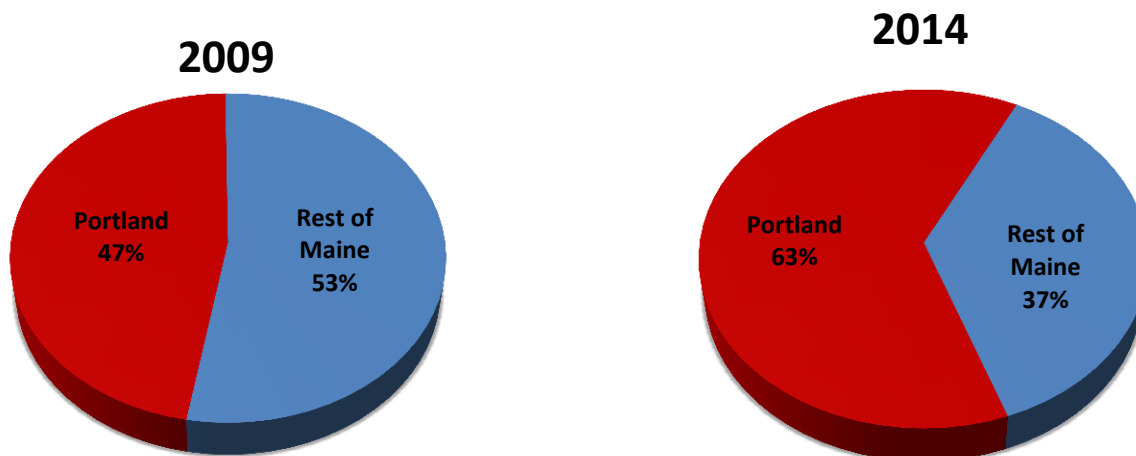
Year	2004	2008	2010	2012	2014
State	\$5,654,400	\$7,159,612	\$11,133,010	\$11,982,880	\$12,907,464
Municipality	\$3,229,200	\$3,919,258	\$4,734,070	\$5,481,399	\$5,118,836
Total	\$8,883,600	\$11,078,870	\$15,867,080	\$17,464,279	\$18,026,300
State Share	63.6%	64.6%	70.2%	68.6%	71.6%

Portland Spending is Disproportionate and Growing

GA spending in the city of Portland has skyrocketed in recent years, nearly doubling since 2009.

- **2009 - \$5,600,000 in total GA costs**
- **2014 - \$10,000,000 in total GA costs**

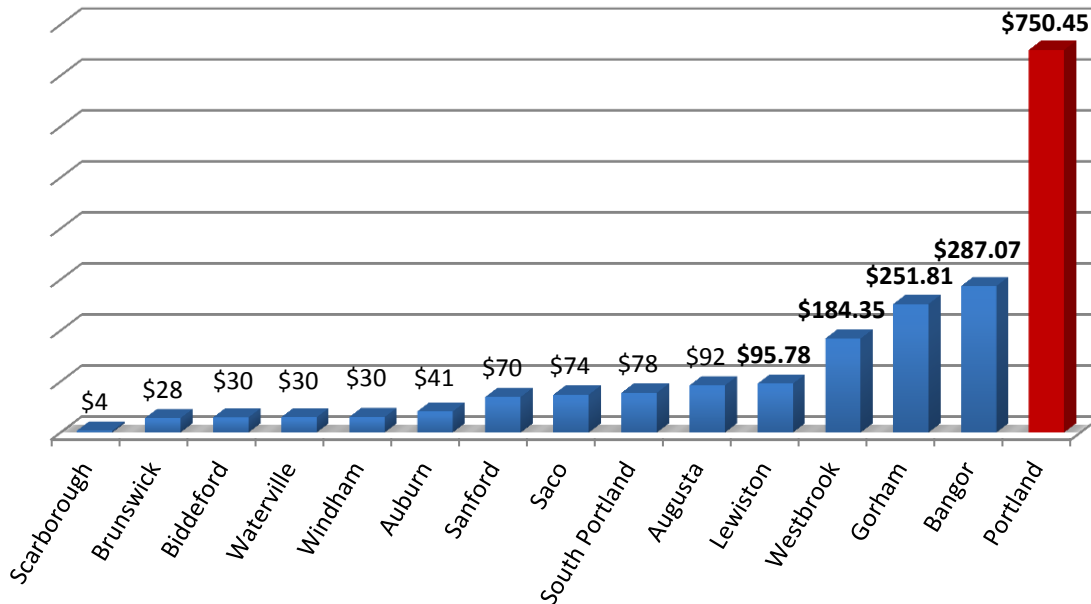
The city of Portland accounts for a major share of all GA. **In 2014, Portland accounted for 63% of all state funds paid for GA.** The state paid Portland over \$8 million of the total \$12.9 million paid to municipalities. Portland’s share of the GA “pie” has grown dramatically, crowding out the rest the state:



Poverty Rates and GA Spending

There has been an argument made that Portland's GA spending, and per capita spending, is so out of line because of the number of low-income individuals in Portland. **U.S. Census data shows that of the three cities with the largest total reimbursement for GA, Portland actually has the lowest poverty rate.** In fact, Lewiston spends \$95.78 per person in poverty, while Portland spend \$750.45. Below is per person in poverty GA spending in Maine's 15 largest municipalities.

GA - Cost Per Person in Poverty 2014



Municipality	Percent in Poverty	2014 GA Total	People in Poverty	GA Spend Per Person in Poverty
Portland	20.60%	\$10,018,474	13,350	\$750.45
Bangor	24.30%	\$2,170,254	7,560	\$287.07
Gorham	2.80%	\$106,010	421	\$251.81
Westbrook	16.30%	\$522,257	2,833	\$184.35
Lewiston	22.90%	\$748,292	7,813	\$95.78
Augusta	18.40%	\$312,695	3,385	\$92.38
South Portland	12.30%	\$234,895	3,014	\$77.93
Saco	10.50%	\$143,871	1,939	\$74.20
Sanford	15.60%	\$223,514	3,207	\$69.70
Auburn	15.10%	\$139,422	3,381	\$41.24
Windham	9.30%	\$46,033	1,522	\$30.25
Waterville	21.60%	\$89,106	2,994	\$29.76
Biddeford	12.80%	\$77,017	2,603	\$29.59
Brunswick	10.30%	\$53,953	1,914	\$28.19
Scarborough	4.70%	\$3,200	880	\$3.64

Source: U. S. Census Bureau, 2013 American Community Survey, 5-Year Estimates.

<http://factfinder2.census.gov>

GA Reform – 90% Initial Reimbursement

It's clear that the unfettered growth in the GA program is a financial challenge for the state. As the program is designed, it's also extremely unfair. For towns that are doing a good job of controlling their programs and being careful in their expenditures, they receive a 50% match from the state and have no means of ever spending enough to reach the 90% threshold. In contrast, Portland achieves the 90% level in the third month of the fiscal year, and then has little incentive to be fiscally prudent with their GA funds the remainder of the year while they are receiving a 90% state reimbursement.

Governor LePage and this administration believe strongly in helping those truly needy individuals who seek GA from municipalities. It's also clear that state funds should be more available to all cities and towns, not just Portland. A person in need of a hand up in rural Maine is just as important to help as a similar individual in Portland.

To help achieve some fiscal certainty and savings for the state, **this GA proposal would provide to all municipalities a 90% state match on the front end.** The 90% match will be available up to a set amount for each municipality. The 90% reimbursement amount is calculated based on the 6-year average of total expenditures for the municipality, and is limited annually to 40% of that average. The average is weighted based on unemployment rates of the given year – giving amounts spent in tougher economic years more weight in the calculation.

Once a municipality uses their upfront allotment of 90% state funding, the 90/10 rate flips, and the state will cover any additional GA expenses at 10% to match the municipality's 90% contribution:

- **90% state funds for initial reimbursements**
- 90% funding will be maintained until the state reimbursement for that year reaches 40% of the weighted 6-year average of GA expenditures for that city or town
- Once that threshold is met, the state will pay 10% of any subsequent GA expenses
- If 40% of the 6-year average is not met in the fiscal year by a given municipality, all GA expenses will have been reimbursed at 90% state cost for that city or town

If each town spends exactly what they spent on GA in 2014, 232 municipalities would receive more from the State than in 2014. 173 towns would receive a lower reimbursement from the state. However, if a municipality keeps spending within the 90% up front amount – then they will only be responsible for 10% of total GA spending, instead of the 50% most cities and towns currently are responsible for.

Examples of Impact in State Reimbursement Amount (assumes same total GA spending as 2014)

Municipality	2014 state reimbursement for GA	Proposed state reimbursement for GA	Net impact to municipality
Portland	\$8,110,368	\$3,714,652	(\$4,395,715)
Bangor	\$1,659,793	\$1,071,780	(\$588,012)
Lewiston	\$413,449	\$368,202	(\$45,247)
Caribou	\$18,604	\$33,488	\$14,883
Standish	\$21,534	\$31,764	\$10,229
Belfast	\$11,591	\$20,864	\$9,273
Waterville	\$44,552	\$47,173	\$2,620

GA Reform – Savings Used for Disability Waitlists

GA reform is important for several key reasons: controlling costs, fairness in reimbursement across municipalities and predictability for budgets. Most importantly, the GA reform utilizes scarce state resources to care for the neediest Mainers.

The GA reform will redirect savings from the GA program to the Section 21 MaineCare Waiver Services and fund services for disabled individuals on this waitlists. Annual projected savings of more than \$5 million in the GA program will leverage a significant federal match, and provide critical services for disabled Mainers to help them stay in their homes and lead independent lives.

Year	General Fund Savings	Federal Match	Total Funding for Waitlists
FY 16	\$5,425,960	\$10,419,911	\$15,845,871
FY 17	\$5,425,960	\$10,517,936	\$15,943,896
Total	\$10,851,920	\$20,937,847	\$31,789,767